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ARIZONA CORPORATION COMMISSION



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May 28, 2013

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Arizona Corporation Commission

DOCKETED

MAY 28 2013

CERTIFIED MAIL

Mr. Timothy Kylo
Humboldt Water System
PO Box 10593
Sedona, Arizona 86339

DOCKETED BY	NR
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RE: HUMBOLDT WATER SYSTEMS, INC. – APPLICATION FOR A RATE INCREASE
DOCKET NO. W-02197A-13-0115

LETTER OF INSUFFICIENCY

Dear Mr. Kylo:

This letter (per section R14-2-103.B.7 of the Arizona Administrative Code) is to inform you that your application, received on April 26, 2013; did not meet the sufficiency requirements as outlined in Arizona Administrative Code R14-2-103. Staff has found a number of deficiencies with the application which are listed on a separate attachment. The 30-day sufficiency determination period will begin anew when the Company corrects the deficiencies and Docket Control receives the original and 15 copies of the corrected pages.

You have 15 calendar days, or until June 13, 2013, to correct the deficiencies, or make other arrangements with Staff to remedy your rate application. If corrections or other arrangements are not made by that date, Staff will request that the docket number be administratively closed. Docket Control will retain one copy of the original application for Commission records. You may file an original and 15 copies of an updated application at a later date.

The Staff person assigned to your application is Brendan Aladi. He can be reached at (602) 542-0785, or toll free at (800) 222-7000, if you have any questions or concerns.

Sincerely,

James Armstrong
Chief Accountant
Financial & Regulatory Analysis Section
Utilities Division

CC: Docket Control Center (fifteen copies)
Connie Walczak, Consumer Services
Delbert Smith, Engineering
Lyn Farmer, Hearing Division

Humboldt Water System
Rate Application (Docket No. W-02197A-13-0115)
Financing Application (Docket No. W-02197A-12-0410)
For the test year ended October 31, 2012

List of Deficiencies

1. The bill count for the test year generates a different amount of revenue than that shown on page 19 of the application. Please reconcile.
2. The bill count annual summary pages for the active meters in the application are missing. Please complete and file.
3. Page 6 of the application, total annual operating revenues, if the Company is granted the rate adjustment, will be \$173,492 not \$1172,550.
4. Page 14, plant summary schedule, total plant additions and retirements do not match total plant additions and retirement on page 13. Please correct the Schedules.
5. The Company provided plant invoices, organized by year and not by account number. Please arrange the plant invoices by year and account number.
6. Page 20, calculation of Depreciation expense, depreciation percentages used in the calculations are not the rates approved in the prior rate case. Please use 5 percent rate in calculating the depreciation expense.

Treat the following as data request items: Please provide;

1. Copies of certified operator fee invoices for the test year.
2. Name and ADEQ certification information of the Company's current certified operator.
3. An updated and/or corrected water system schematic that reflects system components and current operation (see attached).
4. On the attached water schematic the number of customers served within each pressure zone (if multiple zones served by the water system).
5. Information which explains the significant increase in water testing expenses during the test year compared to prior years.
6. Information which describes the action(s) the Company has taken or plans to take to address the deficiencies identified in the following ADEQ documents: Drinking Water Compliance Status Report (dated October 12, 2012); Inspection Report

(issued May 3, 2012); Notice of Violation (dated July 23, 2012); Missed Notice of Violation Deadline (dated August 30, 2012); and, Consent Order in Docket No. DW-41-12 (filed December 17, 2012).

7. The current status of the Company's compliance with the ADEQ Consent Order in Docket No. DW-41-12 (filed December 17, 2012).
8. An explanation why the Company believes non-account water (lost water) exceeded 10 percent calculated using the water use data reported in the Company's Annual Reports filed with the Commission for calendar years 2006, 2008, 2009 and 2010.